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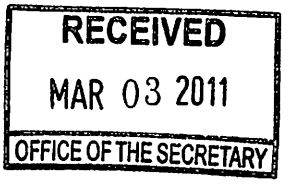


Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission (SEC)
100 F Street, N.E.
Washington, D.C. 20549

Re: Proposed Rules to Implement Special Disclosures Sections 1502 Conflict Minerals 1503 Mine Safety and 1504 Disclosure of Payments of the Dodd-Frank Act (S7-40-10, S7-41-10 and S7-42-10)

Dear Ms. Murphy:

We are submitting these comments on the proposed rules issued by the Securities and Exchange Commission (the "Commission") on December 15, 2010 (the "Proposed Rules") implementing Section 13(q) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), added by Section 1504 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"). As discussed in further detail below, we request that the Commission clarify in its adopting release and in the definitions contained in the Proposed Rules (as ultimately adopted) that the final rules will not apply to companies that only provide equipment and services to upstream oil and gas exploration and production enterprises.

We represent a number of companies engaged in diversified, upstream oil and gas services, including the manufacture and supply of a wide variety of equipment used in drilling, evaluating, completing and producing oil and gas wells, as well as wide-ranging consulting, engineering, technical and field services, including reservoir engineering, drilling and reservoir evaluation services, reservoir stimulation, well completion and production services, and pipeline inspection services. Our clients also sell a variety of chemicals used in the oil and gas industry, including chemicals injected into produced natural gas to reduce acidity and inhibit pipeline corrosion.

These clients are not exploration and production ("E&P") companies. They do not own or report any oil or gas reserves. As a general rule, they do not take ownership interests, leasehold rights, working interests or other proprietary rights in oil, gas or minerals. As a result, they do not make direct payments to governments for oil, gas, or other natural resources or the right to own, extract or sell such resources. To the contrary, they are paid for their services, equipment and technologies.

SUMMARY OF COMMENTS

Oil and gas field services companies should be excluded from the definition of "resource extraction issuer." The Extractive Industries Transparency Initiative ("EITI") does not apply to such companies. The EITI disclosure regime applies only to "extractive industry companies" or "oil and gas companies." The EITI regime treats "service companies" as a separate category of companies, recognizing that service companies are not directly involved in resource extraction and do not make "direct payments" to governments. Therefore service companies are not subject to the disclosure requirements under the EITI and to date none of the EITI implementing countries has elected to extend the EITI disclosure requirements to service companies.

Oil and gas service companies should not be considered to be engaged in the "commercial exploration, extraction or production" of oil, gas, or minerals. Rather the performance of oilfield services and the provision of related products should be considered "ancillary and preparatory," and/or only indirectly related, to the commercial development of the resource. (We note the Commission's statement that "[the definition of commercial development] *is not intended to capture activities that are ancillary or preparatory to such commercial development*" (emphasis added). 75 Fed. Reg. 80978, 80981 (Dec. 23, 2010).) Furthermore, it should be clarified that routine oilfield services do not amount to "significant action" relating to oil, gas, or minerals.

The Commission should also clarify that ordinary income taxes payable by oilfield services companies operating in host countries are not necessarily paid for the commercial development of oil natural gas or minerals merely by virtue of being paid by a provider of oilfield services. Because oilfield service companies, as a general rule, do not have any ownership position or proprietary rights in the oil, gas or minerals being extracted, the corporate income taxes and fees paid to host countries by service companies should not be presumed to be paid to "further the commercial development of oil, gas or mineral rights," absent evidence to the contrary.

Because our oil and gas services clients are not paying for resources, we suggest the Commission clarify the interpretation of "payments" to avoid capturing ordinary taxes and fees in jurisdictions where our clients perform services or supply products. Such interpretive guidance could go a long way to reducing any unintended consequences of the Proposed Rules on traditional oil and gas field services companies.

Accordingly, we seek the Commission's clarification with respect to the application of the Proposed Rules to oil and gas services industry, as well as to the type of payments our clients make in connection with the ordinary conduct of their business, as further explained below.

PROPOSED CHANGES TO DEFINED TERMS

A. Definition of "Commercial Development of Oil, Natural Gas, or Minerals"

Consistent with Section 13(q) of the Exchange Act, the Commission proposes to define "commercial development of oil, natural gas, or minerals" to include "the activities of exploration, extraction, processing, export, and other significant actions relating to oil, natural gas, or minerals, or the acquisition of a license for any such activity." *Id.* at 80979. In the Release accompanying Proposed Rules, the Commission noted that "*[t]he proposed definition is intended to capture only activities that are **directly** related to the commercial development of oil, natural gas, or minerals. It is not intended to capture activities that are **ancillary** or **preparatory** to such commercial development. Accordingly, [the Commission] would not consider a manufacturer of a product used in the commercial development of oil, natural gas, or minerals to be engaged in the commercial development of the resource. For example, a manufacturer of drill bits or other machinery used in the extraction of oil would not fall within the definition of commercial development.*" *Id.* at 80981 (emphasis added).

Drawing on the example of a drill bit manufacturer provided by the Commission, it would be helpful if the Commission would clarify that the rationale underlying that conclusion also applies to certain other categories of products and services. We request the Commission to clarify that the following activities do not amount to direct commercial development but are rather ancillary or preparatory in nature: (i) the manufacture, supply, sale, rental, installation, removal and/or repair or maintenance of oilfield technologies, equipment and tools, (ii) the provision by oilfield service companies of consulting, engineering, technical and field services, and (iii) the sale, rental, mixing, or injection of chemicals used in the upstream oil and gas industry, including those used to reduce acidity or inhibit pipeline corrosion. In each case, absent other indicia of a direct commercial role in the development of the resource, such activities should be excluded from the definition of the commercial development of the resource.

To the extent the Commission is searching for a bright line between oil companies and oil service companies, we note that the Commissions' updated reserves disclosure rules effective January 1, 2010, that are applicable to oil and gas companies, are well understood and generally accepted. We urge the Commission to harmonize the Proposed Rules with the reserves disclosure rules. For example, the terms "resource extraction issuer" and "commercial

development of oil, natural gas, or minerals" could, at least with respect to oil and gas activities, be defined to be consistent with "oil and gas producing activities" as defined in Rule 4-10 of Regulation S-X. While Section 1504 of the Act and the Proposed Rules appear to be focused on the exploration and production function, the definition of "commercial development of oil, natural gas and minerals" refers to "processing" and to "other significant actions relating to oil, natural gas, or minerals...." Incorporation of the well-developed Regulation S-X definition would establish definitively that oilfield service activities are not included in the required disclosures.

B. Definition of "Payments"

Section 13(q) of the Exchange Act defines "payment" to mean "a payment that is made to further the commercial development of oil, natural gas, or minerals, is not *de minimis*; and includes taxes, royalties, fees (including license fees), production entitlements, bonuses, and other material benefits, that the Commission, consistent with EITI's guidelines (to the extent practicable), determines are part of the commonly recognized revenue stream for the commercial development of oil, natural gas, or minerals."

The Commission indicates in the Proposed Rules its intent to "interpret Section 13(q) to provide that the types of payments that are included in the statutory language should be subject to disclosure ... to the extent that the Commission determines that the types of payments and any 'other material benefits' are part of the 'commonly recognized revenue stream for the commercial development of oil, natural gas, or minerals.'" *Id. at 80982.* The Commission further states that the types of payments listed in the Exchange Act generally are consistent with the types of payments the Extractive Industries Transparency Initiative (the "EITI") suggests should be disclosed. *Id.* The EITI disclosure regime applies, however, only to "extractive industry companies" or "oil and gas companies." The EITI regime treats "service companies" as a separate category of companies, recognizing that service companies are not directly involved in resource extraction and do not make "direct payments" to governments. Therefore service companies are not subject to the disclosure requirements under the EITI and to date none of the EITI implementing countries has elected to extend the EITI disclosure requirements to service companies. Because, in our view, EITI does not apply to oil and gas service companies, such service companies are not required under the EITI framework to publicly disclose corporate income taxes paid in the host country (currently disclosed in private to the IRS) among other relatively general payments that are not part of the recognized stream of revenue associated with the commercial development of oil, natural gas and minerals.

Congress explicitly relied upon the EITI regime in enacting Dodd-Frank, which regime does not cover the activities of oilfield services clients. Furthermore, we submit that tax and business license and permitting fee payments made by companies in the service and manufacturing industries will not advance the disclosure goals that underlie Section 1504 of the Dodd-Frank Act. The obligation to report such taxes and fees will serve only to increase the compliance costs of service companies without commensurate benefit. We do not believe information regarding general tax payments or lawful and relatively small fees paid to governmental entities for routine permits or registrations is of value to the investors or the EITI or Section 13(q) disclosure process.

The tax and fee payments made to government agencies by such service companies are not generally considered by the industry to be "part of the commonly recognized revenue stream for the commercial development of oil, natural gas, or minerals" or otherwise made to "further the commercial development of oil, gas or mineral rights." Service companies are typically not subject to any specific hydrocarbons taxation scheme under the laws of a host state, and the payments they make to a host country are, by contrast, *generally* required of all corporations established in the relevant jurisdiction. We therefore request clarification that the general corporate income and profits taxes that are not hydrocarbon-law specific paid to host countries by service companies are not paid to "further the commercial development of oil, gas or mineral rights."

To the extent the Commission may determine that ordinary tax payments from service companies are within the purview of the disclosure requirements, we urge the Commission to permit service companies to disclose their corporate income and/or profits taxes paid in each country at the entity level rather than requiring project level disclosure. Project level disclosure would present compliance costs that outweigh any conceivable benefit of such disclosure.

CONCLUSION

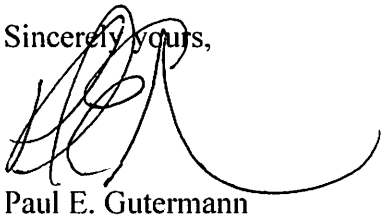
Based on the foregoing, we urge the Commission to clarify, in the final regulatory text or in its release adopting the final rules, that oil and gas technology and systems providers and service companies providing consulting, design, engineering, installation, deployment, and technical and other field services that (i) do not hold any ownership or proprietary interest in the underlying oil, gas or minerals and (ii) are not subject to Rule 4-10 of Regulation S-X, will not be considered by the Commission to be "resource extraction issuers" under the final rules.

In addition, even if the Commission does not make the above clarification regarding the definition of "resource extraction issuer," we ask the Commission to clarify in the release

adopting final rules that companies that (a) do not hold any ownership or proprietary interest in the underlying oil, gas or minerals and (b) are not subject to Rule 4-10 of Regulation S-X will not be deemed to make "payments," as defined in the rules, merely because of the payment of general corporate income and/or profits taxes and fees for routine permits, business licenses, entity registrations etc., except where paid to a specific hydrocarbon, mineral or natural resources taxing authority in the applicable host country.

We are available to discuss this response with the Commission staff and appreciate the opportunity the Commission has provided to comment on the Proposed Rules. Should you have any questions, please do not hesitate to contact me.

Sincerely yours,



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